

Message Text

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ACTION EB-07

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

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E.O. 11652: N/A

TAGS: JA, ECEN, EINV

SUBJ: DOW CHEMICAL INVESTMENT IN JAPAN

REF: TOKYO 10351

SUMMARY: MITI DEFERS DECISION ON DOW CHEMICAL APPLICATION
TO BUILD CAUSTIC SODA PLANT IN JAPAN. END SUMMARY.

1. MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (MITI)
DIRECTOR OF BASIC CHEMICALS DIVISION ISHIHARA HAS CONFIRMED
TO US THAT MITI HAS DECIDED TO TAKE A "STILL PENDING" POSITION
WITH JAPAN FOREIGN INVESTMENT COUNCIL WHEN TIME LIMIT EXPIRES
OCTOBER 18 ON DOW'S APPLICATION FOR A REVISION IN ITS
ARTICLES OF INCORPORATION TO PERMIT MANUFACTURING OF CAUSTIC
SODA AND RELATED DOWNSTREAM EPOXY RESINS. ISHIHARA CITED
AS REASON FOR DELAY NEED TO FURTHER STUDY IMPACT DOW'S
PRODUCTION (FOR DETAILS SEE REFTTEL) WILL HAVE ON BALANCE
BETWEEN SUPPLY AND DEMAND FOR CAUSTIC SODA, AND ON
COMPETITIVENESS OF INDIGENOUS CAUSTIC SODA INDUSTRY
WHICH IS UNDER INSTRUCTIONS FROM MITI TO CONVERT FROM
MERCURY METHOD OF PRODUCTION TO POLLUTION-FREE DIAPHRAGM
METHOD.

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2. ISHIHARA EMPHASIZED THAT MITO WAS NOT REJECTING DOW'S APPLICATION (WHICH WOULD REQUIRE SUBMITTING JUSTIFICATION TO OECD), BUT DECLINED TO ESTIMATE TIME REQUIRED FOR "STUDY" TO BE COMPLETED. OFFICIAL SAID HE WAS AWARE OF EMBASSY'S ACTIVE INTEREST IN DOW APPLICATION AND OFFERED TO KEEP US INFORMED TO PREVENT "MISUNDERSTANDINGS."

3. DOW CHEMICAL REPRESENTATIVES, WHO UNTIL VERY RECENTLY HAD BEEN FAIRLY CONFIDENT THAT THEIR APPLICATION WOULD BE APPROVED, TOLD US THAT THEY HAVE NOT BEEN FORMALLY INFORMED OF THE MITI DECISION BUT EXPECT DOW JAPAN PRESIDENT BAKER TO MEET WITH BASIC INDUSTRIES BUREAU DIRECTOR GENERAL YANO NEXT WEEK. DOW HAS BEEN TOLD BY MITI INFORMALLY, HOWEVER, THAT IF ITS APPLICATION IS RESUBMITTED MINUS THE CHLORO-ALKALI (CAUSTIC SODA) PORTION, DOW'S PLANS TO BUILD THREE MUCH SMALLER EPOXY RESINS PLANTS COULD BE APPROVED. DOW WOULD THEN MAKE A SEPARATE APPLICATION FOR CAUSTIC SODA ALONE.

4. ALTHOUGH DOW HAS NOT MADE A FINAL DECISION, AND IS RELUCTANT TO LET MITI OFF THE HOOK BY SPLITTING THEIR APPLICATION, THE COMPANY IS EAGER TO BUILD THE EPOXY PLANTS AND COULD WAIT ANOTHER 6 TO 9 MONTHS TO BEGIN THE CAUSTIC SODA PROJECT, WHICH WOULD NOT COME ON STREAM BEFORE 1980 IN ANY CASE, DOW THUS MAY ACCEPT MITI'S SUGGESTION.

5. COMMENT: MITI MAY HAVE DEFERRED ITS DECISION ON DOW'S APPLICATION MORE FOR POLITICAL THAN ECONOMIC REASONS. MITI HAS HAD SUFFICIENT TIME TO STUDY ECONOMIC IMPACT OF DOW'S PROPOSED PLANT. WITH DIET IN SESSION AND GOJ AT LOGGERHEADS WITH OPPOSITION PARTIES OVER SUPPLEMENTARY BUDGET TO STIMULATE ECONOMY AND PROPOSALS TO RAISE TOBACCO AND LIQUOR PRICES, JAPAN CAUSTIC SODA ASSOCIATION HAS SUCCESSFULLY USED THREAT OF RAISING FUSS IN DIET, PERHAPS ENDANGERING GOJ'S LEGISLATIVE PROGRAM, TO FORCE MITI TO AT LEAST POSTPONE ISSUING ITS FINDINGS. QUESTION NOW IS WHETHER DELAY IS MITI TACTIC IN DEALING WITH CAUSTIC SODA ASSOCIATION LIMITED OFFICIAL USE

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OR IS INTENDED TO STONEWALL DOW PLANS. WE ARE IN CLOSE CONTACT WITH DOW AND WILL DISCUSS STEPS WE SHOULD TAKE, IF ANY, WITH DOW JAPAN PRESIDENT BAKER NEXT WEEK SHOESMITH

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Message Attributes

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Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
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Disposition Date: 28 MAY 2004
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